REFORMING CORPORATE RESTRUCTURING IN INDIA: RECENT DEVELOPMENTS IN MERGERS AND AMALGAMATIONS UNDER THE COMPANIES ACT, 2013 AND THEIR IMPLICATIONS

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ABSTRACT

Corporate restructuring law must facilitate commercially useful transactions while protecting those whose rights are reorganised without individual consent. This paper examines that tension within India's merger framework, focusing on sections 230–234 of the Companies Act, 2013, the fast-track reforms of 2024 and 2025, and the Corporate Laws (Amendment) Bill, 2026. It employs doctrinal analysis of legislation, delegated legislation, judicial decisions and academic scholarship, using the proposed Zee–Sony merger as a principal case study.

The paper argues that differentiated procedures are preferable to imposing identical scrutiny on every transaction. Nevertheless, eligibility based on corporate relationships, listing status or indebtedness cannot establish substantive fairness. The 2026 Bill raises a further concern: changing the shareholder voting denominator can affect the strength of consent more substantially than reducing the stated percentage suggests. Its jurisdictional proposals should also be assessed against access to justice and administrative capacity.

The Zee–Sony proceedings demonstrate that statutory sanction, sectoral clearance and contractual completion perform distinct functions. Faster approval cannot resolve every governance disagreement or ensure satisfaction of closing conditions. The paper therefore supports simplification subject to credible valuation, meaningful participation, creditor protection and accessible scrutiny. Its conclusion is conditional: recent reforms improve the design of restructuring regulation, but claims of realised reductions in delay or cost require evidence beyond the legal materials examined here.

Keywords: Corporate Restructuring; Mergers and Amalgamations; Companies Act, 2013; Fast-Track Mergers; Stakeholder Protection; Corporate Laws (Amendment) Bill, 2026; National Company Law Tribunal (NCLT); Zee–Sony Merger.

The Legal Framework and Its Protective Functions

A merger ordinarily combines businesses within a surviving corporate entity, while an amalgamation may involve absorption or combination into another company. For present purposes, the relevant feature is the legal reorganisation of interests through a scheme. The terminology should not obscure the distributive question: which participants receive the benefits, and which assume the risks?

Sections 230–232 connect disclosure, class approval and Tribunal sanction. Section 230 requires material information and regulatory notice; its ordinary voting rule combines a majority of persons with three-fourths in value of the relevant class present and voting.[1] Section 231 addresses supervision[2], while section 232 enables orders implementing reconstruction, including transfers of assets and liabilities[3]. Section 234 adds the foreign-exchange dimension to cross-border mergers.[4]

These provisions perform complementary functions. Disclosure helps participants evaluate the proposal; class voting aggregates interests; supervision supplies an external check. None necessarily establishes fairness by itself. A valuation report may contain contestable assumptions, and an impressive aggregate vote may conceal uneven effects among participants. The quality of the process therefore matters alongside compliance with its formal stages.

In *Miheer H. Mafatlal v. Mafatlal Industries Ltd*[5]., a shareholder challenged an amalgamation under the Companies Act, 1956. The Supreme Court upheld sanction while explaining that judicial scrutiny concerns statutory compliance, informed and bona fide approval, legality and fairness. Once those conditions are satisfied, the court does not sit in appeal over commercial wisdom. Although decided under the earlier Act, the judgment remains useful for understanding the supervisory model rather than supplying the wording of current provisions.

[1] Companies Act, 2013, § 230(2), No. 18, Acts of Parliament, 2013 (India).

[2] Companies Act, 2013, § 231, No. 18, Acts of Parliament, 2013 (India).

[3] Companies Act, 2013, § 232, No. 18, Acts of Parliament, 2013 (India).

[4] Companies Act, 2013, § 234, No. 18, Acts of Parliament, 2013 (India).

[5] *Miheer H. Mafatlal v. Mafatlal Industries Ltd.*, (1997) 1 SCC 579 (India).

Hindustan Lever Employees' Union v. Hindustan Lever Ltd.[6] concerned the proposed absorption of TOMCO into Hindustan Lever and objections involving valuation and stakeholder interests. The Supreme Court upheld the scheme without replacing expert commercial assessment merely because another valuation view was possible.Its relevance is methodological: meaningful review need not entail judicial management of the transaction.

Section 233 substitutes an administrative confirmation route for eligible schemes, while retaining solvency declarations and a mechanism for Tribunal consideration where the statutory conditions warrant it.[7]Simplification therefore changes the allocation of scrutiny; it does not remove public responsibility for the outcome.

The strongest justification for different procedures is proportionality. A straightforward internal reorganisation may not require the same institutional attention as a contested transaction redistributing value among unrelated investors. Yet corporate form cannot conclusively establish that difference. A subsidiary may have outside shareholders, and common ownership does not eliminate separate creditor interests. The resulting allocation of liabilities deserves examination independently of the group's overall commercial objectives.

Varottil's research on Indian debt schemes cautions against explaining the effectiveness of restructuring solely through statutory design.[8] Applied cautiously beyond that paper's debt context, the insight suggests that administrative competence, professional incentives and accessible enforcement must accompany formal procedural reform.

Expansion of Fast-Track Restructuring in 2024 and 2025

The original section 233 model covered small-company combinations and holding-company mergers with wholly owned subsidiaries, alongside prescribed classes. Its existing consent requirements include shareholders holding at least ninety per cent of total shares and a creditor majority representing nine-tenths in value.[9]Those demanding requirements help explain why expanding eligibility alone does not make the route effortless.

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[6] *Hindustan Lever Employees' Union v. Hindustan Lever Ltd.*, AIR 1995 SC 470 (India).

[7] Companies Act, 2013, § 233(1)(c), (2)–(6), No. 18, Acts of Parliament, 2013 (India).

[8] Umakanth Varottil, The Scheme of Arrangement as a Debt Restructuring Tool in India: Problems and Prospects 2–3 (Nat'l Univ. of Sing. Faculty of Law, Working Paper No. 2017/005, 2017).

[9] Companies Act, 2013, § 233(1), No. 18, Acts of Parliament, 2013 (India).

The 2024 amendment inserted rule 25A(5), effective 17 September 2024. It permits a foreign holding company to merge into its wholly owned Indian subsidiary through section 233, with the Indian transferee applying to the Central Government and compliance with the stated RBI-approval requirement.[10]This provides a specific legal route for the transaction commonly described as a reverse flip; it does not extend fast-track treatment to every cross-border combination.

The direction of the merger matters. The Indian subsidiary becomes the surviving entity, so the reform addresses a defined ownership configuration. Analytically, this can reduce procedural friction where the proposed domestic structure aligns with the business's intended centre of activity. It does not establish that the transaction is tax neutral, commercially prudent or free from foreign-exchange constraints.

A subsequent RBI amendment, effective 5 June 2026, replaced references to the NCLT with "competent authority" in the cross-border regulations. Regulation 9 also provides deemed prior RBI approval for transactions complying with those regulations.Accordingly, the approval requirement must be read together with that compliance-based mechanism, rather than described as invariably requiring a separate discretionary clearance.

The 2025 amendment substantially widened rule 25. One new category covers participating unlisted companies, excluding section 8 companies, where each has aggregate outstanding loans, debentures and deposits not exceeding ₹200 crore and no repayment default at the specified pre-notice and filing dates. An auditor's certificate is required. Other categories cover holding–subsidiary and fellow-subsidiary combinations, subject to restrictions excluding listed transferors.[11]

Two distinctions are essential. The ₹200 crore figure measures specified outstanding indebtedness, not transaction value. Moreover, that condition belongs to the relevant unlisted-company category; it should not be presented as a universal ceiling governing every newly permitted group merger.

The amendment also requires notice to relevant sectoral regulators, provides for submission of a registered valuer's report, and extends the procedure, with necessary adaptations, to division or

[10] Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2024, rr. 1–2, G.S.R. 555(E), Gazette of India, Extraordinary, pt. II, sec. 3(i) (Sept. 9, 2024)

[11] Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025, r. 2(b), G.S.R. 603(E), Gazette of India, Extraordinary, pt. II, sec. 3(i) (Sept. 4, 2025)

transfer of undertakings.[12]These features show that wider eligibility has been accompanied by documentary and regulatory safeguards.

The policy case is persuasive where an ordinary hearing would duplicate an already reliable approval process. Group simplification can release managerial attention and reduce the work involved in maintaining unnecessary entities. However, these are possible benefits, not measured outcomes established by the notification.

The principal concern is the distance between eligibility and risk. An unlisted company may have dispersed investors with limited negotiating power. A solvent company can still offer an unfair exchange ratio. A debt snapshot may not capture the commercial significance of contingent obligations or an approaching deterioration in liquidity. These examples identify limitations of the screening criteria, rather than defects proved in every eligible transaction.

The preferable response is targeted scrutiny. Authorities should be able to identify unexplained valuation differences, disputed liabilities and conflicts involving controllers without recreating a full hearing for every application. Clear guidance and consistent requests for information would also help applicants understand what adequate disclosure requires. Otherwise, uncertainty may simply move from formal hearings into repeated administrative correspondence, weakening the reform's practical value.

The expansion is therefore best understood as a reallocation of institutional attention. Its legitimacy depends on whether routine cases can proceed efficiently while problematic cases remain visible. Eligibility should open the simplified route, but the integrity of the information and consent supporting the scheme should determine whether it successfully reaches confirmation.

The Corporate Laws (Amendment) Bill, 2026

The Corporate Laws (Amendment) Bill, 2026 must be distinguished from the operative rules discussed above. The analysis here concerns its introduced text, particularly clauses 67 and 69, rather than treating proposed amendments as enacted obligations.[13]13 This distinction matters because transaction planning must follow the law actually in force.

Clause 67 proposes concentrating new Tribunal applications under sections 230–233 before the bench having jurisdiction over the transferee or resultant company. That bench would exercise the relevant

[12] Id. r. 2 (amending rr. 25(1), 25(4)(a), and inserting r. 25(9)).
[13] Corporate Laws (Amendment) Bill, 2026, Bill No. 85 of 2026 (India)

powers for all participating companies, while pending applications would continue under the earlier provisions.[14]

The likely advantage is coordination: one bench could consider a common scheme without requiring parties to reconcile separate procedural directions. This is a plausible design improvement, particularly where companies have registered offices in different jurisdictions. However, centralising a transaction does not itself create more adjudicatory capacity. If filings become concentrated in already busy benches, the anticipated time saving may be reduced.

Accessibility is the corresponding concern. A convenient forum for the surviving company may be less convenient for creditors or investors elsewhere. The reform would therefore benefit from reliable electronic participation, clear service requirements and adequate time to respond. These measures would preserve the benefits of a common forum without making physical distance an unintended obstacle to objection.

Clause 69 proposes replacing the shareholder requirement with approval by a majority of members or class members present and voting who hold at least seventy-five per cent of the share value represented by those voters. It also substitutes at least three-fourths for nine-tenths in the creditor-value requirement, retaining the majority requirement.[15]

The shareholder proposal changes both the percentage and its denominator. Consider an illustrative meeting at which holders of half the company's share value participate: seventy-five per cent of that participating value equals 37.5 per cent of the whole. The separate majority-of-members requirement must also be satisfied. This example is not a prediction about turnout; it demonstrates why describing the proposal merely as a reduction from ninety to seventy-five per cent understates its potential effect.

There is a respectable argument for the change. Requiring participation from nearly the entire ownership base can make administrative simplification unavailable even where opposition is minimal. Nevertheless, non-participation does not necessarily indicate approval. It may reflect inadequate understanding, difficulty obtaining advice or a judgment that an individual vote cannot influence the result.

The central issue is therefore how to distinguish genuine collective consent from a formally sufficient vote organised by a controller. Goshen's analysis of self-dealing contrasts approval by disinterested

[14] Id. cl. 67.

[15] Id. cl. 69(a).

minorities with substantive fairness review, explaining that the effectiveness of protection depends on institutional conditions.[16]Applied as a comparative analytical framework, this supports closer attention to conflicts and voter independence when consent thresholds are relaxed. It does not establish an existing Indian requirement for minority-only approval in every merger.

For creditors, a lower value threshold could reduce holdout power but also increase the proportion bound despite opposition. Evaluation should consequently focus on the treatment of differently situated creditors, the reliability of repayment assumptions and opportunities to challenge misleading disclosure. A large lender's willingness to accept a scheme should not automatically answer the concerns of small suppliers.

Smaller enterprises may benefit disproportionately from reduced procedural burdens because fixed compliance work consumes a larger share of their resources. Yet size does not establish the absence of valuation disputes or unequal bargaining power. The Bill's efficiency rationale is strongest when accompanied by intelligible information and practical participation.

The proposed changes should therefore be judged as a package. Consolidated jurisdiction addresses coordination; relaxed voting rules address consent barriers. Their justifications differ, and support for the former does not compel unqualified support for the latter.

The Zee–Sony Merger as a Case Study

The proposed Zee–Sony combination provides a useful test because it reached statutory sanction but was not completed. The scheme involved Zee Entertainment Enterprises Limited and Bangla Entertainment Private Limited merging into Culver Max Entertainment Private Limited, formerly Sony Pictures Networks India Private Limited.[17]Combining entertainment businesses offered an intelligible commercial rationale through shared content and distribution capabilities, although that analytical rationale does not establish the fairness of particular transaction terms.

The NCLT's Mumbai Bench sanctioned the scheme on 10 August 2023. The order recorded overwhelming shareholder approval and considered objections, including claims involving entities connected with the Zee promoter group. It also addressed the relationship between the scheme and

[16] Zohar Goshen, The Efficiency of Controlling Corporate Self-Dealing: Theory Meets Reality, 91 Calif. L. Rev. 393 (2003).

[17] In re Zee Entertainment Enterprises Ltd., CP(CAA) No. 209/MB/2022 in CA(CAA) No. 204/MB/2022, ¶ 3 (NCLT Mumbai, Aug. 10, 2023).

SEBI-related governance concerns. Sanction remained subject to the scheme's conditions and necessary regulatory approvals.[18]

These features demonstrate why distinct institutional questions should not be collapsed. Shareholders assess the bargain presented to them; the Tribunal examines the statutory scheme; securities regulation addresses its own governance and investor-protection concerns. Approval under one framework cannot logically determine every issue arising under another.

Competition review adds a further constituency. The Competition Commission of India approved the combination on 4 October 2022 subject to modifications involving channel divestitures.[19]19 The significance is that a merger can attract strong shareholder support while still requiring intervention concerning its market effects. Consumers, advertisers and competing businesses are not adequately represented by the parties' internal voting process.

Subsequent litigation clarifies the limits of sanction. In its order dated 24 October 2024, the NCLT recorded the parties' August 2024 settlement and board decisions to withdraw the scheme. It noted that withdrawal had been allowed on 5 September 2024 and rejected the attempt to secure implementation of a scheme that had not become effective and had been withdrawn.[20]

The legal lesson is narrower than saying that a sanctioned scheme is unenforceable. The result depended on this scheme's conditions, withdrawal provisions and subsequent orders. Equally, the record does not justify attributing non-completion solely to Tribunal delay or to any single governance controversy.

For reform analysis, the case exposes three different sources of uncertainty: the public approval process, satisfaction of contractual conditions, and continuing agreement between the participants. Simplifying the first can help a transaction but cannot eliminate the others. Parties should therefore explain material closing conditions and termination mechanisms clearly when asking stakeholders to approve a scheme. This would make the limits of the requested approval more intelligible.

[18] Id. ¶¶ 8, 19–22;

[19] Competition Comm'n of India, Combination Registration No. C-2022/04/923, Order under § 31(1), ¶ 88 & annex. (Oct. 4, 2022).

[20] Phantom Studios India Pvt. Ltd. v. Zee Entertainment Enterprises Ltd., C.A. Nos. 3, 34 & 40/MB/C-III/2024 in C.P.(CAA) No. 209/MB/C-III/2022, ¶¶ 48–58 (NCLT Mumbai, Oct. 24, 2024).

Zee–Sony also illustrates the limits of extending section 233 by analogy. Zee was a listed transferor, whereas the relevant expanded group routes exclude listed transferors.[21]The case supports examining why more consequential public-market transactions may warrant fuller scrutiny; it does not demonstrate that this transaction should have qualified for fast-track treatment.

Finally, the case cautions against measuring regulatory success exclusively by completion. An abandoned transaction may expose disagreement or unsatisfied conditions that the legal framework should not conceal. The relevant standard is whether the process produces informed decisions, protects affected interests and assigns responsibility transparently. Completion is commercially important, but it is not a sufficient measure of legal quality.

[21] *In re Zee Entertainment Enterprises Ltd.*, CP(CAA) No. 209/MB/2022 (NCLT Mumbai, Aug. 10, 2023); Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025, r. 2(b), G.S.R. 603(E) (Sept. 4, 2025).

Chapter 5: Balancing Efficiency and Stakeholder Protection

The reforms should be assessed separately from the perspective of each affected constituency. For companies, fewer overlapping proceedings and clearer eligibility can improve planning. Yet a shorter statutory route will have limited value if applicants encounter inconsistent document requests or uncertainty about regulatory coordination. Predictability is therefore as important as the number of procedural stages.

For shareholders, the central issue is whether they can evaluate the consideration and the allocation of future benefits. A registered valuation report is useful only if its assumptions can be understood and questioned. In a controller-influenced transaction, unexplained differences in treatment warrant particular attention. These concerns support concise explanatory material, disclosure of conflicts and meaningful access to underlying valuation reasoning.

For creditors, solvency and transactional fairness should be considered separately. An enterprise may remain solvent while a reorganisation changes the practical quality of the assets supporting repayment. Assessment should therefore address the resulting debtor's financial position and the treatment of disputed or contingent claims, rather than treating a declaration as conclusive reassurance.

For institutions, an expanded administrative route creates a capacity question. Removing routine matters from the NCLT could release attention for contested cases, but this is a hypothesis requiring measurement. Administrative authorities also need staff capable of recognising misleading financial information and knowing when fuller scrutiny is appropriate. Moving work between institutions does not eliminate the work itself.

A proportionate model would distinguish ordinary documentation defects from substantive warning signs. Missing forms may justify a prompt opportunity to correct the application. Evidence of conflicted valuation, concealed liabilities or impaired participation may justify closer review. This approach makes the intensity of scrutiny respond to the transaction's characteristics rather than assuming that every eligible company presents identical risk.

Reform evaluation should also use better evidence. Useful indicators would include median processing time, variation across offices, requests for resubmission, referrals to the Tribunal, objection outcomes and subsequent disputes. Completion rates should be considered alongside these measures. A high confirmation rate alone cannot show whether scrutiny is effective, just as a low rate cannot establish unnecessary obstruction.

Finally, clearer public guidance should explain which approvals address which risks. The Zee–Sony experience shows the importance of keeping scheme sanction, external regulatory requirements and contractual effectiveness conceptually distinct. This is an analytical lesson drawn from the case, not evidence that every merger requires identical oversight.

The appropriate policy objective is reliable restructuring at proportionate cost. Efficiency and protection can reinforce each other when early disclosure prevents later disputes. They conflict when speed is achieved by making objections practically inaccessible. Reform should preserve the former possibility while avoiding the latter.

Conclusion

The recent restructuring reforms support a more differentiated approach to mergers and amalgamations. The 2024 and 2025 rules widen access to simplified procedures, while the 2026 Bill proposes further changes to jurisdiction and approval thresholds. These developments address genuine questions about how much process different transactions require.

The paper's hypothesis is supported conditionally. Simplification is justified where it removes duplication and directs institutional attention towards material risks. It becomes problematic where eligibility is treated as proof of fairness or formal voting is mistaken for informed consent. In particular, the Bill's proposed shareholder denominator requires careful consideration because its practical effect depends on participation as well as the stated percentage.

The Zee–Sony case confirms the limits of procedural solutions. Statutory sanction cannot ensure that commercial conditions will be fulfilled or that parties will maintain their agreement. At the same time, independent regulatory scrutiny serves interests that shareholder approval alone cannot protect.

India's reform agenda should consequently combine administrative clarity with credible valuation, effective participation, creditor safeguards and accessible scrutiny. Claims of faster processing should be tested through institutional evidence rather than inferred from legislative change. The desirable outcome is a framework in which straightforward transactions proceed with proportionate effort and contested transactions receive meaningful examination. That balance, rather than speed considered in isolation, supplies the soundest basis for evaluating reform.

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